

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 1457 – HB 1486

April 4, 2014

SUMMARY OF ORIGINAL BILL: Creates a new specialty earmarked license plate for the Tennessee Cave Salamander (*Cyrinophilu palleucus*).

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue - \$4,300/General Fund/FY14-15

\$15,300/Wildlife Resources Fund/FY14-15

\$12,300/Tennessee Arts Commission/FY14-15

\$3,100/Highway Fund/FY14-15

\$17,500/Wildlife Resources Fund/FY15-16 and Subsequent Years

\$14,000/Tennessee Arts Commission/FY15-16 and Subsequent Years

\$3,500/Highway Fund/FY15-16 and Subsequent Years

Increase State Expenditures - \$4,300/General Fund/FY14-15

SUMMARY OF AMENDMENTS (014796, 015555, 015882): Amendment 014796 deletes the original bill following the enacting clause and establishes new specialty earmarked license plates for the following entities: Chambliss Center for Children, McCallie School, National Wild Turkey Federation, Historic Gallatin, Tennessee Vietnam Veterans, Inc., and the Memphis Grizzlies. Additionally, the amendment extends for one year, the time frame for the following entities to meet issuance requirements for the respective specialty earmarked plates: Juvenile Diabetes Research Foundation, I Recycle, the Tennessee Federation of Garden Clubs, and the Native American Indian Association.

Amendment 015555 establishes new specialty earmarked license plates for the following entities: The Lung Cancer Alliance, Tennessee Walking Horse, and Niswonger Children's Hospital. The amendment also establishes eight new classes of license plates for individuals that served during a period of armed conflict but did not serve in a manner that qualifies for the issuance of the plate specific to that conflict found in current law.

Amendment 01582 extends, for one year, the time frame for meeting the issuance requirement for the Tennessee Tech University specialty earmarked license plate.

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FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase State Revenue - \$93,500/General Fund/FY14-15

\$215,250/Specialty Plate Organizations/FY14-15

\$172,200/Tennessee Arts Commission/FY14-15

\$43,050/Highway Fund/FY14-15

**\$245,000/Specialty Plate Organizations/FY15-16 and
Subsequent Years**

**\$196,000/Tennessee Arts Commission/FY15-16 and
Subsequent Years**

\$49,000/Highway Fund/FY15-16 and Subsequent Years

Increase State Expenditures - \$93,500/General Fund/FY14-15

Assumptions for the bill as amended:

- Revenue (1,000 plates at \$35 each).
- A production cost of \$4.25 per plate.
- Expenditures per plate for production cost are \$4,250 (Production cost 1,000 plates @ \$4.25 each = \$4,250 one-time).
- Pursuant to Tenn. Code Ann. §55-4-201(h)(1), new specialty earmarked license plates will be subject to a minimum order of at least 1,000 plates prior to initial issuance. Any plate that does not meet the minimum order requirement within one year after passage of the authorizing act will become invalid.
- It is assumed that there will be nine new specialty earmarked plates issued and five time extensions granted for issuance.
- The increase in state expenditures in FY14-15 for production of all fourteen plates is estimated to be \$59,500 [$\$4,250 \times (9 \text{ new plates and } + 5 \text{ plate extensions})$].
- The price for each specialty earmarked plate is \$35 and the minimum number of plates for each license is 1,000. Therefore, the revenue generated for each plate is \$35,000 ($\$35 \times 1,000$); thus, a total increase in revenue generated by all thirteen plates of \$490,000 ($\$35 \times 1,000 \times 14$).
- Proceeds from the sale of the specialty earmarked plates will be as follows: 50 percent to the specialty plate organization; 40 percent to the Tennessee Arts Commission; and 10 percent to the Highway Fund. The first year proceeds to these entities will be based on the net proceeds after subtracting the cost of production.
- For FY14-15, the increase in revenue to the General Fund related to the specialty earmarked plates is \$59,500; the increase in revenue to specialty plate organizations is \$215,250 [$(\$490,000 - \$59,500) \times 50.0\%$]; the increase in revenue to the Tennessee Arts Commission is \$172,200 [$(\$490,000 - \$59,500) \times 40.0\%$]; and the increase in revenue to the Highway Fund is \$43,050 [$(\$490,000 - \$59,500) \times 10.0\%$].
- For FY15-16 and subsequent years, the increase in revenue to the specialty plate organizations is \$245,000 ($\$490,000 \times 50\%$); the increase in revenue to the Tennessee

Arts Commission is \$196,000 (\$490,000 x 40%); and the increase in revenue to the Highway Fund is \$49,000 (\$490,000 x 10%).

- Currently, honorably discharged veterans that served in certain conflicts are eligible to receive a license plate that relates to the conflict in which they served. Such plates are issued for the cost of production.
- Eight new honorably discharged veteran plates are created by the bill. It is assumed that 1,000 of each plate are produced and sold. At a cost of \$4.25 per plate, this will result in an increase in state expenditures from the General Fund of \$34,000 (\$4.25 x 1,000 x 8) and a corresponding increase in state revenue to the General Fund of \$34,000.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read 'Lucian D. Geise', is positioned above the printed name.

Lucian D. Geise, Executive Director

/cce